



State of California
Employment Training Panel

Training Proposal for:
General Dynamics NASSCO
Agreement Number: **ET09-0223**

Panel Meeting of: **October 17, 2008**

ETP Regional Office: **San Diego**

Analyst: K. Campion

PROJECT PROFILE

Contract
Type: Priority/Retrainee

Industry
Sector(s): Manufacturing

Counties
Served: San Diego

Repeat
Contractor: ☒ Yes ☐ No

Union(s): ☒ Yes ☐ No
International Association of
Machinists & Aerospace Workers,
District Lodge 947; International
Brotherhood of Boilermakers, Iron
Ship Builders, Blacksmiths, Forgers
& Helpers

Priority
Industry: ☒ Yes ☐ No

No. Employees in CA: 7,171

No. Employees Worldwide: 84,000

| Turnover Rate % | Manager/ Supervisor % |
|-----------------|--------------------------|
| 16.8% | 10% |

FUNDING DETAIL

| Program Costs | Substantial Contribution | Total ETP Funding |
|------------------|-----------------------------|-------------------|
| \$720,000 | \$108,000 | \$612,000 |

| In-Kind Contribution |
|----------------------|
| \$750,000 |

TRAINING PLAN TABLE

| Job No. | Job Description | Type of Training | Average No. of Trainees | Range of Hours | | Average Cost per Trainee | Post-Retention Wage |
|---------|--------------------|--|-------------------------|------------------|-----|--------------------------|---------------------|
| | | | | Class / Lab | CBT | | |
| 1 | Priority/Retrainee | Manufacturing Skills, Continuous Improvement, Computer Skills, Literacy Skills | 1,000 | 24 - 200 | 0 | \$612 | \$14.19 |
| | | | | Weighted Avg: 40 | | | |

Minimum Wage by County: San Diego - \$13.37

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☐ Yes ☒ No

Health benefits are not applicable because the employer is already paying more than the ETP Minimum Wage.

Other Benefits: 401K retirement plan, vacation pay, tuition reimbursement program

| Wage Range by Occupation | |
|--------------------------|------------|
| Occupation Title | Wage Range |
| Shipyard Worker | |
| Working Foreman/Lead | |
| Engineer | |
| Planner/Analyst | |
| Supervisor/Manager | |

INTRODUCTION

In this proposal, General Dynamics NASSCO (NASSCO) seeks funding for retraining as outlined below:

Located on San Diego Bay, NASSCO designs, builds and repairs ocean-going, auxiliary and support ships for the U.S. Navy, and oil tankers and dry cargo carriers for commercial markets. NASSCO is a Master Ship Repair contractor for the U.S. Navy and the Military Sealift Command (MSC) and provides continuous maintenance of all U.S. Navy amphibious classes of ships home-ported on the West Coast. NASSCO's ship-repair capabilities include major structural and piping modifications, machinery repairs and alterations, combat systems and electronics upgrades, ship conversions and emergency repairs. Additionally, NASSCO has designed and constructed over 60 commercial ships that include a variety of propulsion plants including steam turbine, gas turbine, geared diesel, diesel-electric, and slow-speed diesel ships.

NASSCO is eligible for funding under the out-of-state competition provisions provided in Title 22, California Code of Regulations (CCR), Section 4416(i)(1) for companies classified as manufacturers under the North American Industrial Classification System.

NASSCO's first ETP project assisted the company in launching a comprehensive, formalized training program focused on enhancing employee skills and in developing a knowledgeable workforce. Company representatives report that the Manufacturing Skills training provided was very helpful in updating job skills of some frontline workers. However, the company was challenged with meeting production schedules and was forced to revise its training schedules to fit more closely with production requirements and manning cycles. Additionally, some training identified in the prior ETP Agreement was delayed and not rolled-out as planned – Lean Six Sigma. Therefore, a significant amount of training was unable to be delivered as planned.

For this second ETP Agreement, NASSCO faces new challenges. The company is experiencing significant internal changes and has instituted several process improvement and technical training initiatives, as well as developed specific training goals to address its internal changes, and to continue to increase its ability to compete in the global market. Specifically, NASSCO is moving to a shipyard method titled Stage of Construction (SOC 4) designed to implement new production methods and processes that will drastically change the way it does business. Additionally, the company is implementing a new data management computer Enterprise Resource Planning/Manufacturing Resource Planning system that is projected to be on-line by early 2009.

In order to adapt to the requirements of these advanced systems, NASSCO must change its standards, procedures and processes by which work is performed. Instruction on technical project details, including an understanding of design concepts, must be provided to the yard workers and others who support the company's shipbuilding processes. Company representatives report that it will take a significant amount of advanced skill training to equip its employees with the necessary skills to be proficient in the new processes. To meet these challenges, NASSCO proposes another ETP Agreement to train and place approximately 900 frontline workers and 100 supervisors and managers in Manufacturing Skills, Continuous Improvement, Computer Skills, and Literacy Skills.

PROJECT DETAILS

Manufacturing Skills – To keep up with changing technologies and upgrade its workers' skills, the company proposes advanced manufacturing skills training for its frontline workers. There are some classes that will be a repeat of the training provided in the original Agreement for those retrainees who did not receive training under the first Agreement. However, the majority of the training will be in new advanced Manufacturing Skills that are inline with the company's new training initiatives.

Continuous Improvement – The company's frontline workforce and supervisors will receive training in Continuous Improvement skills aimed at moving the company to a higher level of performance through adapting to change, quality tools, statistical and mathematical applications, leadership development skills, project management skills and lean six sigma. Craftsmen will be able to work in stable teams and learn new advanced skills that will allow them to easily problem solve and continuously improve processes.

Computer Skills – Frontline workers, engineers, and supervisors will receive Computer Skills training in AutoCAD, Tribon Software Skills, Design Manager, Advanced Microsoft Office, Access and Project, Livelink Program Skills, as well as, training to provide employees with the skills to handle the new data management MRP systems.

Literacy Skills will be provided to production workers who need English skills to advance in their trade. Topics include English communication skills: speaking, listening, reading, and writing with NASSCO content curriculum on blueprint reading and workplace communication. Problem-solving, critical thinking, and cross-cultural understanding are concepts woven into the lessons.

Substantial Contribution

NASSCO has projected earnings in excess of \$250,000 at the San Diego facility under its current project. (See Active Project Table). The Panel may base a Substantial Contribution on projected earnings under a recent amendment to the governing regulation. (Title 22, CCR, Section 4410). Accordingly, reimbursement for trainees at the San Diego facility will be reduced by 15%, resulting in a \$108,000 Substantial Contribution to the cost of training.

Commitment to Training

NASSCO represents that ETP funds will not displace its existing financial commitment to training. The company anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area.

NASSCO's current training budget is approximately \$5 million annually for its California workforce, above and beyond the proposed ETP training, in the following areas:

- New Hire Orientation
- Sexual Harassment Prevention
- Legal Compliance
- New Hire Skills Training
- Computerized Time Card Processing (SMARTTIME)
- Certificate Classes
- Associates in Science Shipbuilding Technology courses
- Basic Computer Skills – MS Office Suite Training
- Basic Environmental Training
- Ethics Training
- Required Safety Training
- On-the-Job Training

NASSCO representatives report that the majority of the proposed training will be in new curriculum topics designed to meet its strategic goals. Additionally, some training classes will be provided to those trainees not trained under the active ETP Agreement. NASSCO intends to continue training after the ETP program ends. The company will continue to hire new workers and train those people in the proposed training topics beyond the two year scope of the ETP funding.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal. With the assistance of ETP, NASSCO will be able to enhance employee skills and develop a knowledgeable workforce, while improving productivity and minimizing costs.

ACTIVE PROJECT

The following table summarizes performance by the company under an active ETP Agreement:

| Agreement No. | Approved Amount | Term | No. Trainees (Average) | No. Completed Training | No. Retained |
|---------------|-----------------|---------------------|------------------------|------------------------|--------------|
| ET07-0208 | \$1,193,184 | 12/04/06 – 12/03/08 | 2,762 | *5 | *5 |

*Training will end for this project on 9/03/08. As of the writing of this memorandum, the ETP class/lab tracking system reflects that NASSCO has tracked \$470,964 in training hours. The company projects that it will earn at least \$485,000 (40%) by the end of the employment retention period.

Company representatives report that the training hours for the first ETP Agreement were overly ambitious. Consequently, NASSCO was challenged with balancing training needs and production schedules. Additionally, some training was delayed (Lean Six Sigma). Lastly, the delay in acquiring one labor union letter of support diminished the training hours initially proposed.

For this second project, the weighted average training hours have been reduced to a more reasonable amount (40) and the company has instituted more company-wide training standards to assist in the project administration of the proposed Agreement. Additionally, both unions representing employees at NASSCO have submitted letters of support for the new training.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

N/A

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum

Class/Lab Hours

24 – 200

Trainees will receive any of the following:

MANUFACTURING SKILLS

Customer Specific Requirements Skills

- U.S. Military and Government
 - New Program Overview
 - New Processes and Procedures
 - Technical Requirements
- Commercial Customer Requirements and Procedures
 - New Program Overview
 - New Processes and Procedures
 - Technical Requirements

Advanced Systems Drawings Skills

- Design Procedures for Production
 - Design for Production
 - Design-Build Process
 - Marine Designer Training
 - Shell Design
 - Hull Production Information
 - Electrical Design
 - Ventilation Design
 - Metal Outfit Design
 - Pipe Design
 - Rigging Methods
 - Earned Value Management
- Analysis & Troubleshooting Skills
 - Seakeeping Analysis
 - Ship Resistance & Propulsion
 - Finite Element Analysis
 - Ship Maneuvering
 - Sea Trials
 - Fault Analysis
 - Reliability and Maintainability Analysis

Advanced Fabrication, Assembly and Installation Processes & Techniques

- Advanced Electrical
- Advanced Pipe
- Advanced Sheet Metal
- Advanced Shipfitting
- Advanced Welding
- Ship Repair Procedures and Processes
- Specialized Production Tools
- Rigging
- Condor Training
- Skyclimber Training
- High Reach Training

Advanced Quality Issues & Procedures

- Non-Destructive Testing
- Visual Testing
- Quality Attribute System
- Lessons Learned Training

Material Management System Skills

- Material Awareness Training
- Material Handling and Return
- Material Control Points

Shipbuilding Technology Procedures & Processes

- Stages of Construction
- Support Organization – Function and Processes

CONTINUOUS IMPROVEMENT

- Lean Six Sigma Skills
- Manufacturing Planning Tools & Procedures
- Production Processes & New Initiatives
- Advanced Mathematical Technical Applications
- Quality Tools & Techniques
- Quality Concepts/Procedures and Method Compliance
- Leadership Skills for Frontline Workers

COMPUTER SKILLS

- Autocad Design Tools
- Tribon Software Skills
- Design Manager Software Production Skills
- Visual Basic
- Advanced Microsoft Office Suite
- Livelink Program Skills
- New Data Management System Training
- New MRP System Training

LITERACY SKILLS

(Capped at a maximum of 45% of each trainee's total job skills training)

- **Vocational English as a Second Language (VESL)**
 - Technical Vocabulary
 - Communication Skills
 - Reading Comprehension
 - Writing Skills
 - Data Extraction
 - Work Instructions and Schedules



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EMPLOYMENT

JUL - 2 2008

TRAINING PANEL

ET09-0223

Application Review Unit
Employment Training Panel
1100 J Street, 4th Floor
Sacramento, CA 95814

To whom it may concern:

General Dynamics (NASSCO) is requesting training funds from the State of California's Employment Training Panel (ETP). NASSCO sees the importance and value of training its workforce in new and developing technology to increase quality and productivity. During our recent negotiations we added the following language as a demonstration of our commitment:

The parties are committed to the vision of a Joint Training Program and jointly commit to strengthen the training process during the terms of this Agreement. The vision will be to create a Company-Union partnership, based on trust, dedicated to providing greater job security by developing a well-educated and capable workforce, responsive to our competitive business environment.

We support this effort to improve employee skills and help make NASSCO more competitive in the national and global shipbuilding market.

Sincerely,

Richard Sanchez

Richard Sanchez, P/DBR
I.A.M.A.W. District Lodge 947

International Brotherhood of

BOILERMAKERS • IRON SHIP BUILDERS

1054 E. FRANKLIN STREET, SUITE 101



BLACKSMITHS • FORGERS & HELPERS

CHAPEL HILL, NC 27514

WARREN FAIRLEY
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ETC9-0223

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We support this effort to improve employee skills and help make NASSCO more competitive in the national and global shipbuilding market.

Sincerely,

Warren Fairley